

INDUSTRY UPDATE

Biweekly Period Ending November 3, 2001

Phoenix Metro Area

Manufacturing

The Valley's east side continues to get hammered by softness in the high-tech sector. Chandler-based **SpeedFam-IPEC** said it will **cut 20 percent** of its **worldwide workforce**, with most of the **160 jobs** coming from its local operations. It's the fourth round of layoffs, totaling about 650, for the maker of computer-chip manufacturing equipment. At the beginning of 2001, SpeedFam had 1,200 workers worldwide.

With severe weakness in the economy, along with new pollution restrictions and user fees, demand for high-performance sport and cruise boats has fallen, according to an article in the *East Valley Tribune*. Bearing the brunt of that news is a 30-year-old **Tempe boat plant**, which is **closing and laying off 370 people**. Tennessee-based **Sea Ray Boats** announced in late October the closure of its Arizona facility, which produced about 2,000 boats a year. Sea Ray, which is a division of Brunswick Corp., said that its six other plants in Tennessee and Florida will adjust their production accordingly to make up for the loss of the Valley facility.

Construction

Although residential and commercial real estate activity in the Valley has slowed and industrial vacancy rates are rising, **several major projects** are currently under way or are expected to **continue as scheduled**. ... **Del Webb Corp.** will **start work in mid-November** on the **last phase of Sun City Grand**, an active-adult retirement community in the northwest Valley. Begun in 1996, the fourth phase of Sun City Grand will encom-

pass 3,200 homes on 1,100 acres. When complete, the retirement community will include 9,500 homes, an 18-hole golf course, and a \$10 million recreation center. ... **Halfway complete**, work continues full steam on the \$300 million **Desert Ridge Marriott in northeast Phoenix**. With an expected **completion date of November 2002**, the **950-room hotel** will be the largest in the Valley and be part of a 5,723-acre mixed-use project bounded by Deer Valley Road, Pinnacle Peak Road, 56th Street, and Tatum Boulevard. The hotel, which has \$60 million in advance bookings, will feature two 18-hole golf courses, nine restaurants, and one-half the exhibition space of the Phoenix Civic Plaza. The retail aspect of the project, the 108-store **Desert Ridge Marketplace** (which includes a Target Greatland), is complete and scheduled to **open December 1st** (see October 20th *Industry Update*). About 2,100 of the planned 18,000 single-family homes in Desert Ridge have been completed, with work on 1,500 more homes expected to begin in spring. ... Meanwhile, a few miles south near Scottsdale Road and Greenway Parkway, work on the 750-room **Westin Kierland Resort** continues as scheduled with a **similar timetable for completion** as the Desert Ridge Marriott. The resort, which will include 27 holes of golf and 60,000 square feet of meeting space, is part of a 730-acre **Kierland master-planned community** that includes a residential component, as well as a retail and office segment. The latter, a 450,000-square-foot retail and office development called **Kierland Commons**, is **nearing completion of the second of three phases**. When all three phases are complete there will be more than 50 stores and restaurants that will have the look

and feel of being located on a small-town "main street."

Services

For different reasons, **two Valley call centers will close by next spring, costing about 1,200 jobs.** Citing improved productivity among all of its customer-service operations, **Bank One Corp.** announced it will **close its First USA credit card operation in Tempe** by the **second quarter of 2002.** A two-thirds reduction in calls received at the 750-employee Tempe facility led to the decision to close and have remaining operations shifted to Pennsylvania and Delaware call centers. Bank One, which employs 8,900 people in Arizona, will attempt to find jobs for laid-off workers in other areas of the company. On the other hand, the weakening economy was the reason given by **Cendant Corp.** to **close by next April its Phoenix reservation center,** which booked rooms for Ramada hotels. About **450 workers will lose their jobs,** with a few being offered a chance to relocate to New Jersey. New York-based Cendant, which franchises hotels and car rental companies along with other businesses, said the Sept. 11th events contributed directly to the layoffs (see related story in "Tucson Metro Area," below).

Tucson Metro Area

Manufacturing

Big D Construction Corp. has begun work on a **\$100 million plant** for **Slim-Fast Foods Co.** on 85 acres **near Interstate 10 and Rita Road.** West Palm Beach, Fla.-based Slim-Fast is expected to **open** the 100,000-square-foot technically advanced **facility next July, employing more than 135 workers.** Along with producing ready-to-drink shakes, the facility will act as a distribution center. Slim-Fast Foods is a subsidiary of consumer products giant Unilever NV of England.

A neighbor of Slim-Fast, **IBM** will **create an unknown number of jobs** when it invests

\$100 million next year in its Rita Road plant to **build the next generation of data-storage devices.** The money will be put into **"key skills" positions** in the areas of **research and development and manufacturing.** The Tucson IBM plant employs about 1,600 workers.

Construction

A planned 52-acre **Ritz-Carlton resort in Oro Valley** (north of Tucson) has been **put on hold** due to the collapse of the tourism industry, brought on by the Sept. 11th events. Work was expected to start in November on the \$100 million hotel project, which included 320 rooms, 50 casitas, spa, and banquet and dining facilities. No timetable was given for resumption of the development.

Finance, Insurance, and Real Estate

The **fourth local bank** to open in **Tucson since 1995** will **begin operation next June.** **Commerce Bank of Arizona Inc.,** which has already received state approval, will open its first location at 3805 E. Broadway. A second location is planned for the end of 2002. Other Tucson-area community banks to open since '95 are Bank of Tucson, Southern Arizona Community Bank, and Canyon Community Bank.

Trade

Work has begun on renovating a 40-year-old, 50,000-square-foot **retail and office center** that now sits mostly empty. With **work** expected to be **completed by spring,** **Midstar Plaza** (formerly Midtown Plaza), East Broadway and Swan Road, will get a new facade, signs, roof, doors, windows, outdoor lighting, and parking lot. Several of the current tenants, including a Computer City, expect to remain at Midstar. Nine thousand square feet of office space on the building's second floor will also be refurbished. Two other retail mainstays of Tucson — El Con Mall and Park Mall (now Park Place) — have had multi-million dollar make overs in recent years.

Services

Hurt by a soft travel and leisure industry,

Spherion Corp. will **close one of its Tucson call centers** by the **end of November, laying off 325 workers** as part of a nationwide cutback of 500 jobs. One of the better paying customer-service operations in the area, Ft. Lauderdale, Fla.-based Spherion provides corporate travel services for companies such as American Express and IBM. This is the second major job-reduction event in 2001 for Spherion, which laid off 700 people nationwide in April.

Balance of State

Mining

Due to a continued depressed copper market, Phoenix-based **Phelps Dodge Corp.** will **lay off more than 1,400 workers** at **mines and refineries in Arizona and New Mexico by mid-January**. **More than half of the cutbacks (790)** will occur **in Arizona**, with the **temporary closure** of a **mine and smelter in Miami, Ariz.**, and the **50 percent reduction in operations** at the **Sierrita and Bagdad mines** near Green Valley and west of Prescott, respectively. The rest of the layoffs will occur at Phelps Dodge's Chino mine and refinery in southwest New Mexico. In recent years, several thousand mining jobs have been lost in Arizona, primarily due to the drop in the price of copper (currently around 60 cents per pound), which is at a 15-year low.

Statewide

Services

Arizona is more **severely impacted by a nursing shortage** than the nation as a whole, concludes a study by the Arizona Hospital and Healthcare Association. According to the report, the state has a **16 percent vacancy rate for registered nurses**, compared to an 11 percent rate nationwide. In addition, nine out of 10 Arizona hospitals are facing severe emergency room shortages because of the nursing problem, compared to about four out of 10 hospitals nationally. (See October

20th *Industry Update* for details about economic and staffing problems in Tucson Level 1 trauma centers.) **Related to the nursing shortage, the health care industry is having problems filling** an assortment of **technical positions**. As a way to fill these needs, technical schools and community colleges are recruiting high-tech workers from industries that are suffering (e.g., communications) for positions that are unfilled in the health-care field (e.g., radiologists). **Banner Health Systems**, which operates eight hospitals in the Phoenix area, has contracted with Gateway Community College in Phoenix to **provide free retraining to 200 out-of-work high-tech workers** a year for health-care jobs that need technical skills, reported the *East Valley Tribune*.

Trade

In late October, Phoenix-based **Southwest Supermarkets closed seven** former ABCO Desert Market **stores** (five in Phoenix; two in Tucson) it acquired only six months ago from food distributor Fleming Cos. Catering primarily to Hispanic customers, Southwest blamed a weak economy, worsened by the Sept. 11th terrorist events, for the closures and **layoff of 250 employees**. Southwest said it did not give employees a 60-day advance warning of the layoffs, as required by federal law, because it was attempting to either obtain financing to keep the stores operating or sell the stores. The WARN law allows an exception to the 60-day notice when the notice could jeopardize an employer's ability to sell or get financing to save the business. (Note: In early November, Southwest filed for bankruptcy protection and announced plans to sell 23 of its 32 stores to the Chandler-based Bashas' grocery chain and close the rest. More information will be forthcoming in the Nov. 17th *Industry Update*.)

Miscellaneous

Arizona lost \$200 million in tourism-related business in the month following the Sept. 11th terrorist events. In response, the

state and private sector are putting together a \$3.3 million marketing blitz (TV, radio, newspaper, Internet) aimed at getting residents of Arizona and nearby states to visit tourist attractions in the Grand Canyon State. Hotels and resorts lost \$40 million in revenue in the four weeks after the terrorist events, while associated businesses in retail trade and services lost \$160 million. The state's tourism industry generates about \$30 billion in economic activity each year and employs about 400,000 people.

Related to tourism's downturn, **several economists** have **forecast** that the **state's economy** will be **hard hit** by the national recession. Outside of tourism-related sectors, industries that will be severely impacted are: commercial aircraft products, which affects nearly 50 percent of the state's manufacturing sector; construction, due to the drop-off in population growth; transportation, communications, and public utilities; and non-tourism services, such as legal, medical, and accounting. One economist, Scottsdale-based Elliott Pollack, predicted the recession could last nine months, which would take it into the middle of 2002.

INDUSTRY UPDATE

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